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## Economic changes in Saudi Arabia carry warnings of possible political storm

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"We face a severe drop in private income because of depressed petroleum revenues. The people know this but believe it will soon be over. They are sadly mistaken."

Thus comments one of the most successful Riyadh businessmen about the current state of the Saudi Kingdom.

"A number of large businesses would fail were it not for artificial support from banks which do not wish to suffer the loss themselves," he continues. "This can't last for long, and inefficient ones will probably fail."

Other Saudis echo these sentiments. One upbraids his son for recently attempting to start a large contracting business and losing money because of declining numbers of contracts. Another points out that even established Saudi businesses are cutting salaries, staff, and new ventures.

Ironically, senior officials here report that several political problems that have plagued Saudi Arabia in recent years are quiescent:

- Fundamentalist agitation, rampant at the time of the 1979 attack on the Grand Mosque in Mecca, is dormant. Security organizations are sensitized to the danger, and the government generally preempts conservative complaints by adopting measures urged by *ulema* (Muslim scholars).

- Pro-Iranian Shia sentiment is dealt with through a policy of carrot and stick. Leaders are strongly warned to cease their activities, and jailed if they continue. At the same time infrastructure money — lots of it — has been conspicuously poured into Shia towns located in petroleum-producing regions. Roads that were the worst in the Kingdom in 1980 are now among the best. Schools and hospitals have been built as well.

- Iranian meddling — particularly as exemplified by disruptive actions during the annual pilgrimages — continues but has been largely contained.

There is no cohesive internal opposition to the Saudi government at this time, according to several well-placed Saudi officials. They are probably correct. Despite its recession, the Kingdom remains one of the most prosperous in the world.

Two aspects of the current financial crunch bear close ILLEGIBChing, however.

First, Saudi youth are slowly realizing that they can no longer become millionaires or senior officials with rapidity and ease. This fact of life separates them radically from their brothers of a decade earlier. They must face life as "employees" — a word used in almost a pejorative sense only five years ago. They will receive fair but modest salaries — and be subject to rules of marketplace efficiency.

Although this is normal from a Western perspective, for many Saudis these prospects are not appealing. Money and prestige have been part of the glue which assured political loyalties in the past. Without these ingredients, something must give.

One outspoken Jiddah professional believes it is the traditional political system that must give — at least a little. Political liberalization is essential, in his view, if young, educated Saudis are to identify fully with their government.

"If the government does the right things during the next few years," he says, "and establishes some form of popular political participation, we'll be all right. The time has not come to worry about the kind of turmoil which has engulfed some of our neighbors."

There is a second long-term impact of dwindling petroleum income — one that affects millions in resource-poor areas of the third world. The hundreds of thousands of foreign workers in Saudi Arabia and the Gulf are decreasing in number and earning smaller salaries than before. With their depressed earnings, the economies of the largest suppliers of labor are hurt — including the Yemens, Pakistan, India, Bangladesh, Thailand, Korea, and the Philippines. For some of these, foreign exchange remittances from the oil-producing states are essential to their economic stability.

One Pakistani laments the fact that he, a skilled university graduate, can now make only half what he made year ago. A Filipino driver is making \$185 monthly. "True," he says, "living accommodations are supplied — but only in the form of one large room with 20 other Filipinos and five Indians."

According to Saudi figures, about 1 million exit visas and only 350,000 new work visas were issued last year. Some contractors, whose projects were canceled because of the recession, are loath to spend the large amounts required to send their contract laborers home. As a result, idle laborers are encouraged to search for new jobs while still technically on their old contracts.

The resulting foreign underemployment is new to the region, and further depressed remittances to the labor-supplying countries.

These twin problems — declining income for the Saudi citizens, and less foreign exchange for the economies of poorer third-world nations — are the flip side of cheaper gas at US and European pumps.

These economic changes carry political storm warnings with them. It is in the West's interest that necessary adjustments occur as smoothly as possible.

*The writer was a government official for two decades before becoming a consultant on international affairs.*